

SCHAEFFLER

Schaeffler Group

**Combined Separate
Non-Financial Report 2018**



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1. About this report

In this report, the Schaeffler Group discloses the required non-financial information for the 2018 fiscal year in accordance with Sections 289, 315 of the German Commercial Code (HGB) (in accordance with the CSR Directive Implementation Act). The report is divided into the five thematic aspects of “environmental concerns,” “employee matters,” “social matters,” “human rights” and “compliance.” It describes the concepts that are relevant to essential issues, including the Schaeffler Group’s due diligence processes and goals and the associated results.

Schaeffler exercises the option, in accordance with Section 315b (3) HGB, to produce a combined separate non-financial report (GNFK) apart from the Group Management Report. The combined separate non-financial report was thereby combined with the separate non-financial report of the parent company in accordance with Section 315b (1) (2) HGB. If the details and representations of concepts pertain solely to Schaeffler AG, this is pointed out accordingly. The separate non-financial group report is publicly available on the company’s website.

The combined separate non-financial report for the 2018 fiscal year for the Schaeffler Group and Schaeffler AG was reviewed by the Supervisory Board of Schaeffler AG and by the accounting firm KPMG AG on behalf of the Supervisory Board with respect to the legally required information in accordance with Sections 315b, 315c in conjunction with 289b to 289e HGB for the purpose of obtaining limited assurance engagement. This follows the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board (IAASB). This report was also prepared based on the standards of the

Global Reporting Initiative (GRI). In addition, individual topics have their own internal definitions and specifications.

 Further information on the Independent Auditor’s Report on checking the combined separate non-financial report for the purpose of obtaining limited assurance engagement can be found under the following link: www.schaeffler.com/sustainability/nfr2018-assurance

The references in this report to information outside of the management report are to be understood as additional information; these are not mandatory components of the separate non-financial report.

For reasons of clarity, this text omits gender-based naming and chooses the male form. However, unless stated otherwise, the information is always gender independent.

Essential non-financial issues

The Schaeffler Group has been assessing essential issues since 2016 in the context of sustainability reporting with a process that complies with current GRI standards. This ensures that all relevant topics for the automotive and industrial supply sector are taken into account. Further information can be found in the Schaeffler Group’s sustainability report.

To implement the requirements from the CSR Directive Implementation Act (CSR-RUG), the company held numerous discussions and workshops at the board level to identify and evaluate which topics are relevant both for understanding the core business, business results, and company situation as well

as understanding the impact on non-financial aspects. As a result, 15 essential issues were identified, three more than in the previous year. Two topics from the previous year – “logistics” and “transparency, dialogue, and reporting: focus on community dialogue” – have been downgraded in terms of their business relevance and five new ones have been added. Due to their increasing strategic importance for personnel, the topics “diver-

sity,” “compensation and retirement benefits,” and “work-life balance” were included in the GNFK for the first time.

The two issues “quality management” and “data protection, information, and IT security” were also added. The reasons for their selection were the increasing market and regulatory requirements as well as the threat of cybercrime.

Non-financial aspects, facts, and circumstances of the GNFK 2018 of the Schaeffler Group

No. 001

Environmental concerns	Employee matters	Social matters	Human rights	Compliance
Sustainable products and technologies	Employee advancement and development	Customer relationships	Human rights	Compliance including anti-corruption and material compliance
Environmental management	Health and occupational safety	Responsibility in supplier relationships		Data protection, information, and IT security¹⁾
Energy management and emissions	Diversity¹⁾	Quality management¹⁾		
Material and resource management	Compensation and retirement benefits¹⁾			
	Work-life balance¹⁾			

¹⁾ These topics were added in 2018.

1.1 Risk reporting

The risk report in the Group management report of the Schaeffler Group provides comprehensive information about the company’s risk management system as well as significant risks that have a medium or high negative impact on assets, finances, or income. It also includes risks related to the Schaeffler Group’s business operations, business relationships, or products and services. Following the risk management process, there is an annual survey and analysis of non-financial risks. This survey showed that there were no reportable risks in the reporting year in accordance with CSR-RUG (Section 289c, paragraph 3 HGB).

1.2 Guidelines for data collection and presentation

The following guidelines on the key figures and data points are valid for the entire report unless otherwise stated:

This report includes all major domestic and foreign subsidiaries that are directly or indirectly controlled by Schaeffler AG. The companies are included from the date on which the Schaeffler Group gains control until the date control is lost.

The survey period is from January 1, 2018, to December 31, 2018. When preparing the report, it is necessary in some instances to make appropriate estimates/projections, which are documented internally, to present the complete survey period. Actual values may differ from these estimates and will be corrected in the following year’s reporting. Methodical and structural changes are corrected in principle. Additional comments are provided for deviations greater than five percent. Differences may occur due to commercial rounding of amounts and percentages.

Contrary to the above-mentioned principles, the reporting date for key figures relating to employees is generally December 31, 2018. The persons referred to as employees in this report are members of the internally defined workforce category “Headcount.” Temporary staff, apprentices, interns, and external employees as well as inactive employees are not included.

The scope of key figure consolidation for greenhouse gas emissions, total energy consumption, water consumption, waste generation, and recycling rates in the area of environmental concerns refers to the production sites defined as essential in the EnEHS Group manual. The majority of these production sites already have ISO 14001, ISO 50001, ISO 45001, OHSAS 18001, and EMAS site registrations; reporting date December 31, 2018.

2. Business model of the Schaeffler Group

The Schaeffler Group (hereinafter referred to also as “Schaeffler”) is a leading integrated global automotive and industrial supplier. Top quality, outstanding technology and an exceptionally innovative spirit form the basis for the continued success of the Schaeffler Group. With over 92,000 employees, the Schaeffler Group is one of the world’s leading technology companies. The Schaeffler Group identifies key trends at an early stage, invests in researching and developing new future-oriented products, and sets new standards in technology. In doing so, it focuses on its key opportunities for the future – E-Mobility, Industry 4.0, and Digitalization. Extensive systems know-how enables the Schaeffler Group to offer customized and holistic solutions, tailored to the respective customer and market requirements. The Schaeffler Group is making an important contribution to the mobility of tomorrow with pioneering products for the automotive and industrial economy. These include products for vehicles driven only by combustion engines as well as hybrid and electric vehicles; components and systems for rotational and linear movements; and services, maintenance products and monitoring systems for a variety of industrial applications. In addition, the worldwide spare parts business offers repair solutions in OEM quality for the automotive aftermarket.

Within the framework of its strategy “Mobility for tomorrow,” the Schaeffler Group focuses on four target areas: eco-friendly drives, urban mobility, interurban mobility, and energy chain. These four target areas are based on four large megatrends that will determine the business of the Schaeffler Group in the future: climate change, urbanization, globalization, and Digitalization. Eight strategic cornerstones were developed on this basis; they determine the course of action for the strategy “Mobility for tomorrow” and provide the basis for the continual further development of the Schaeffler Group. Implementation of the strategy is ensured by the “Agenda 4 plus One” future program. Of the 20 strategic initiatives of the future program, two will be successfully completed at the beginning of 2019.

Schaeffler AG is traded on the Frankfurt Stock Exchange with common non-voting shares and is listed in the MDAX selection index of the Deutsche Börse. The main shareholder is IHO Holding, a group of holding companies that indirectly belongs to the Schaeffler family, who hold all common shares of Schaeffler AG. As a proportion of the entire capital stock of common and common non-voting shares of Schaeffler AG, the free float is about 24.9%. Schaeffler AG still intends to distribute to the shareholders a dividend amounting to 30 to 40% of consolidated net income before special items.

Organizational structure

The Schaeffler Group is characterized by a three-dimensional organizational and management structure that distinguishes between divisions, functions, and regions. Thus, the Schaeffler Group's business is managed by the three divisions of Automotive OEM, Automotive Aftermarket, and Industry, which are also the reportable segments. The Automotive OEM division organizes its business according to the four business divisions of Engine Systems, Transmission Systems, E-Mobility, and Chassis Systems. Management of both the Automotive Aftermarket and Industry divisions is based on the regions of Europe, Americas, Greater China, and Asia-Pacific.

In addition to the divisions, the Schaeffler Group's organizational model includes five functional areas: (1) CEO Functions, (2) Technology, (3) Production, Supply Chain Management and Purchasing, (4) Finance, and (5) Human Resources. Distribution is embedded directly in each of the Automotive and Industrial divisions. The third dimension is formed by the four regions Europe, Americas, Greater China, and Asia-Pacific.

 Further information on the business model of the Schaeffler Group can be found in the Annual Report 2018 – Group Management Report “1.1 Overview of the Schaeffler Group,” pages 3–5

3. Environmental concerns

As a global automotive and industrial supplier, the Schaeffler Group pursues the goal of helping to shape the mobility of the future with environmentally friendly solutions. This goal is anchored in the company strategy “Mobility for tomorrow” through the four target areas “eco-friendly drives,” “urban mobility,” “interurban mobility” and “energy chain.”

The Schaeffler Group equally assumes environmental and climate responsibility for its own production processes. For Schaeffler, environmental relevance includes material, resource, and energy efficiency, the further development of the associated management systems, and the corresponding continuous improvement in environmental performance including in logistics processes. In this context, the Schaeffler Group is currently refining its strategic direction and reviewing its short- and medium-term agenda.

3.1 Sustainable products and technologies

Schaeffler offers its customers sustainable, environmentally friendly, and climate-friendly products and technologies. Automobile manufacturers in particular face the challenge of making individual mobility sustainable. The Schaeffler Group supports this goal through electric powertrains and friction-reducing technologies, among other things. Another focus is the development of sustainable technical solutions for the entire energy chain.

In its research and development activities (R&D), Schaeffler relies on the further development of existing innovation topics such as electromobility, Digitalization, or Industry 4.0. However, new technologies such as fuel cells or stationary batteries

also play an important role. Schaeffler has over 7,900 R&D employees at 20 R&D centers and additional R&D locations. The number of patent registrations filed with the German Patent and Trademark Office, based on inventions registered throughout the Group, increased to over 2,400¹ in 2018 compared to the previous year (2,383).

Schaeffler owes its innovative force not least to the integrated technology, strategy, and planning dialogue process. The technology dialogue aims for the long-term technological orientation of the company. In the subsequent phases (strategy and planning dialogue), the development activities are specified and detailed. Responsibility for research and development within the Schaeffler Group lies with the technology department that centrally coordinates research and development activities. The cross-departmental dialogue process picks up on regional trends and develops a global perspective. Market trends are also analyzed from an individual customer perspective. Among other things, Schaeffler organizes annual “Top Technology Meetings” with key customers. The company uses the results of its market analysis for its customer-specific requirements management with which it systematically converts customer expectations into sustainable products and technologies.

“Eco-friendly drives” target area

Schaeffler expects that by 2030, around 30% of new cars worldwide will be equipped with an internal combustion engine, 40% with a hybrid drive, and 30% with a purely electric drive – 70% of all vehicles will therefore have an electric drive. Accordingly, Schaeffler sees E-mobility as one of the key opportunities for the future. In addition to Industry 4.0 and Digitalization, it represents a cornerstone of the strategy “Mobility for tomorrow.” As part of the “Agenda 4 plus One” excellence program,

¹) The number is based on the internal Schaeffler count. The German Patent and Trademark Office will publish its data after the Schaeffler GNFK is printed.

Schaeffler defined the “E-Mobility” initiative and set up the E-Mobility business division in 2018. This combines the expertise in the electric-based drive technologies segment.

The focus on electric mobility is reflected in the development of the revenue by the business division E-Mobility: They rose from EUR 416 millions² in 2017 to EUR 486 millions in 2018.

In addition to organic growth, the Schaeffler Group secures future opportunities with the targeted gain of technological expertise through acquisitions. For example, Schaeffler took over the company Elmotec Statomat in the reporting year. The company is a leading manufacturer of manufacturing machinery for the large-scale production of electric motors and has expertise essential to the production of electric drive units.

In 2018, the Schaeffler Group launched an integrated complete system combining the electric axle and parking brake with software. Together with a partner company, Schaeffler developed an electric axle for inner-city buses in the reporting year. In further customer projects, all-electric (and hybrid) solutions for agricultural and construction machinery were developed.

With its involvement in the FIA Formula E, Schaeffler is helping to make electric mobility more attractive to consumers and the private sector. With success: Winning the team title in the reporting year crowns four successful years for the Audi Sport ABT Schaeffler team and stands testament to outstanding expertise in electric-based powertrains. With the “Schaeffler 4ePerformance” concept car, Schaeffler also demonstrates the technology transfer from racing to a pre-series drive concept.

In addition to purely electric-based drives, the Schaeffler Group is working intensively on electrifying the combustion engine through hybrid drives. A current, particularly sustainable development is the “DHT 6+2” transmission (dedicated hybrid transmission), which enables efficient operation of the electric motor even at high speeds.

According to the market coverage scenario above, 70% of vehicles will still be equipped with an internal combustion engine in 2030. To achieve the highest levels of sustainability, Schaeffler is developing friction reduction technologies throughout the powertrain that reduce fuel consumption, for example through innovative surface coatings. Another focus is optimizing the valve train system. The goal is to provide the right amount of air at each operating point in the engine and thus to increase efficiency.

In addition, Schaeffler is expanding its sustainable product portfolio in the area of thermal management. With this, the heat flows in the drive unit dynamically and as needed. This allows the engine to reach its operating temperature faster, among other things, which decreases fuel consumption. In addition, the Automotive Aftermarket division is contributing to a more sustainable use of the global vehicle fleet with its complete repair solutions.

Schaeffler continues to see future potential in fuel cell technology for the drive sector. Existing manufacturing technological competencies are being used to develop and produce high-performance metallic bipolar plates – an integral component of fuel cells.

“Urban mobility” target area

Increasing urbanization will result in two-thirds of people worldwide living in cities by 2050. The need for individual mobility will change the way that people move around the city. And autonomous vehicles will play an important role. Schaeffler is providing the technical basis for this kind of urban mobility concept: the Schaeffler Mover. The electric vehicle, which is powered by four-wheel hub motors, forms the basis for various utilization concepts from cars to robo-taxis to autonomous driving cargo solutions. To make this key technology marketable, during the reporting year, the Schaeffler Group entered into a joint venture with Paravan GmbH, a company originally specializing in vehicle conversions for the disabled and equipped with technologies that are essential to autonomous driving.

In the field of micromobility, Schaeffler is also helping to relieve congestion in metropolitan areas. In 2018, Schaeffler presented the Bio-Hybrid, a four-wheeled vehicle powered by pedals and an electric motor, as a cargo variant for the first time. The modular concept offers a wide range of applications from refrigerated trucks to coffee shops to enclosed storage spaces. To industrialize the Bio-Hybrid, the activities were included as a spin-off in Bio-Hybrid GmbH.

“Interurban mobility” target area

In the course of progressing urbanization, rail traffic is also increasing. Schaeffler is developing technologies to help make long-distance rail transport resource friendly and climate friendly. For years, a development focus has been the predictive maintenance and service of wheelset bearings for railway rolling stock. At the Innotrans 2018 trade fair, Schaeffler AG and a partner company presented a system in which different components, including those from different manufacturers, can be monitored online. The data is sent on directly to the railway operator. This allows maintenance levels to be further optimized,

²⁾ Prior year information presented based on 2018 segment structure.

increases running time, and reduces resource consumption. Production-related CO₂ emissions can also be reduced by over 90.0% thanks to this technology, along with resource-efficient preparation of used wheel bearings. The foundation is the Schaeffler Group's universal Condition Analyzer System, which is also suitable for use in other industrial sectors such as in machine tools or wind turbines and for the Schaeffler Group's own manufacturing processes.

“Energy chain” target area

The changes in the mobility environment require a profound change in the entire energy sector. They range from energy generation from primarily renewable energies to the provision and storage of energy to the use of energy. Schaeffler's activities in the “Energy chain” target area cover all of these market segments.

The growing share of renewable energy is a challenge for the existing electricity grids because of the volatility in availability. Scalable power storage would be a solution. Schaeffler is working with CMBlu to develop this. The goal of the development cooperation that started in August 2018 is the market-ready production of organic “redox flow batteries.” The “organic flow” technology saves resources and is scalable to almost any size. This has the potential to play a key role in building a sustainable energy infrastructure and in electric mobility.

In its development work, the Schaeffler Group also relies on improved and completely new products for wind turbines. The focus is on friction- and wear-resistant bearings as well as monitoring via cloud-based software, which also extends operating times in this area and significantly increases the reliability of the systems.

3.2 Resource efficiency, environmental and energy management

As a leading technology company, Schaeffler Group challenges itself to set an example not only for its products, but also for its own processes in terms of environmental and energy efficiency. For this reason, the company pursues an ambitious global environmental and energy policy.

To manage its energy and environmental issues across the company, the Schaeffler Group maintains an EnEHS (Energy, Environment, Health, and Safety) management system that applies worldwide. It is based on the energy and environmental standards ISO 50001 for energy management, ISO 14001 for environmental management, and the EMAS eco-audit standard, among others. The continual improvement of energy management and the further development of environmental services are ensured by regular internal and external audits. The company management carries out stakeholder analyses with a subsequent opportunity and risk assessment throughout the Group and down to each individual location.

The Schaeffler Group organizes its environmental and energy topics in a global matrix organization. Local environmental protection and energy representatives, regional coordinators, and experts from the strategic departments work closely together in a network. Key performance indicators (KPIs) are used to plan, assess, and manage environmental measures. The need for action and measures is discussed and resolved in the context of regular management reviews with the Executive Board.

Environmental management system

No. 002

	2018	2017
Coverage rate for EMAS certification in % ¹⁾	88.2	87.9
Coverage rate for ISO 14001 certification in % ¹⁾	88.7	88.3

¹⁾ Relating to employees.

In the medium term, the goal is for a location in each region to meet the requirements of a “zero waste to landfill factory” with regard to production-related waste. Schaeffler introduced the necessary tools for this in 2018, including a worldwide waste catalog that is currently being evaluated. During the reporting period, the database that Schaeffler has been using for four years for approving, implementing, and billing all waste processes in Germany has been expanded for worldwide use. The adapted database has been in trial operation since September 2018. Effective January 1, 2019, all Schaeffler Group manufacturing sites worldwide are required to use this database to document all waste operations.

Water consumption, waste, and recycling rate

No. 003

	2018	2017
Water consumption in m ³ ¹⁾	6,089,564	5,964,821
Recycling rate ²⁾ , Germany, in %	91.1	94.9
Waste generation, Germany, in t	312,383	302,969

¹⁾ Water consumption includes municipal and internal company water. Prior year's value corrected based on subsequently reported data.

²⁾ Recycling or recovery/total waste, without metals and scrap.

The company also supports the goal of the 197 states that signed the United Nations Framework Convention on Climate Change to limit global warming below 2° and 1.5° Celsius compared to the pre-industrial era. In order to further emphasize the importance of the topic for Schaeffler, the three environmental and climate objectives reported in the previous year are currently being revised with regard to their calculation in order to improve the validity of existing indicators. This includes increasing energy efficiency and reducing water consumption in relation to business development and reducing greenhouse gas emissions across the company, respectively.

As part of EnEHS management, an energy management system in accordance with ISO 50001 has been gradually introduced since 2013. Compared to the prior year, the coverage rate³ increased from 85.2% to 85.8%. The effectiveness of its efficiency measures is monitored by internal EnEHS specialists and auditors using a standardized global energy management system.

As part of the energy management system, plant goals are defined at the corporate level which are considered to be the minimum. In addition, the plants define individual goals.

The Schaeffler Group's absolute CO₂ emissions (Scope 1 and Scope 2) increased in 2018. Projects were initiated with the support of external experts to identify, classify, and potentially reduce Scope 3 emissions.

Energy and CO₂ emissions

No. 004

	2018	2017
Coverage rate for ISO 50001 certification in % ¹⁾	85.8	85.2
Greenhouse gas emissions in t CO ₂		
Total ^{2), 3)}	1,461,790	1,409,388
Scope 1 ²⁾	193,708	175,635
Scope 2 location based ²⁾	1,268,082	1,233,752
Scope 2 market based ^{2), 4)}	851,916	N/A
Total energy consumption ⁵⁾ in GWh	3,367	3,233

¹⁾ Relating to employees.

²⁾ The calculation of greenhouse gas emissions is based on the emission factors of the VDA (2017) and the Probas database of the Federal Environmental Agency. Emission sources covered in Scope 1 (natural gas, heating oil, propane) and Scope 2 (electricity, district heating).

³⁾ Total of Scope 1 and Scope 2 (location based).

⁴⁾ Supplier-specific emission factors were used to determine Scope 2 market based.

⁵⁾ Energy sources included: electricity, natural gas, district heating, propane, fuel oil, without the amount of electricity produced by gas-powered CHP.

When designing production processes, relevant environmental issues such as material and energy requirements are taken into account comprehensively and at an early stage. In order to combine and further intensify the sustainability activities in the production environment, Schaeffler defined the additional work focus "Sustainable Factory" in August 2018 as part of the "Agenda 4 plus One" excellence program for the "Factory for Tomorrow" (F4T) initiative. This workstream includes 21 sub-projects on the topics of energy generation and consumption reduction, resource efficiency, production systems, employee mobility, and material transport. Auditing and certification systems were also included. In addition, the projects in the workstream include the creation of worldwide standards within the topics mentioned.

Important "Sustainable Factory" subprojects are "Zero Waste to Landfill" (see above) and "Sewage-Free Factory." They aim to make plants independent in terms of waste and wastewater. Also noteworthy is the "On Campus Transportation" project. The company wants to use its own electric mobility solutions such as the E-Board, Bio-Hybrid or Schaeffler Mover in the operating areas of its locations to transport passengers and materials for this purpose. Another project is dedicated to the sustainable manufacturing machine of the future.

³⁾ Relating to employees.

4. Employee matters

Capable and committed employees are a key success factor for the Schaeffler Group. For this reason, the Schaeffler Group places the focus of its HR strategy on high-quality training, modern employee and manager development, fair compensation and retirement benefits, opportunities to improve work-life balance, and last but not least, a safe and healthy working environment.

Employees at Schaeffler

No. 005

	2018	2017
Number of employees	92,478	90,151
Average age in years	39.9	39.7
Average tenure in years	11.2	11.0
Distribution of employees by region in %		
Europe ¹⁾	68.3	68.3
Americas	14.2	14.5
Greater China	14.0	13.9
Asia-Pacific	3.5	3.3
Proportion of female employees in %	22.0	21.7
Proportion of female managers in % ²⁾	13.2	12.4
Labor turnover rate in % ³⁾	4.8	3.9
Part-time ratio, Germany in %	6.3	6.5

¹⁾ Incl. employees of the corporate head office.

²⁾ Managers are defined as employees in a supervisory function.

³⁾ Initiated by employee; related to the average number of employees from 01/01/2018 to 12/31/2018.

4.1 Employee advancement and development

Finding and continually developing efficient and motivated employees are two key aspects of human resources work at Schaeffler. The “Leadership and Talent” category in the “Agenda 4 plus One” excellence program launched in 2016 includes the initiatives “Qualification for Tomorrow,” “New Work,” and “Leadership & Corporate Values,” the implementation of which the Executive Board focused on in 2018. They all aim to secure the future viability of the Schaeffler Group in the long term.

Leadership at Schaeffler

In the “Leadership & Corporate Values” initiative, the Schaeffler Group developed a model in 2017 to assist its leaders in future challenges. In the reporting year, the six management guidelines contained therein were communicated and implemented across the company. In several workshops that were held from the Executive Board to the team leader level – globally and in all functions – the managers were able to familiarize themselves with the guidelines. At the same time, the members of the Executive Board have even engaged in personal exchanges with selected executives worldwide about the new understanding of leadership as part of the “Leadership Road Shows.” Eight of these road shows took place in 2018 and more will follow in 2019. In addition, the global training landscape for executives was fundamentally revised and aligned with the management guidelines.

Since 2018, leadership behavior in terms of the new understanding has also been the subject of annual employee development discussions. Furthermore, Schaeffler carried out a global, representative employee survey in the reporting year in order to obtain an overview of the topic “Leadership at Schaeffler.”

Training and education

Quality training and further development of young professionals has always been a high priority at Schaeffler. In 2018, Schaeffler employed 3,275 apprentices worldwide (previous year: 3,185) at 55 locations in 16 countries, of which more than 1,400 are in 20 occupations throughout Germany.

Good qualification of young professionals begins with their trainers: Since 2017, all trainers in Germany have been familiarized with new learning methods, the use of modern media in day-to-day training, and the special expectations of generations Y and Z through a modular qualification program. At the beginning of 2019, the qualification program was also launched in Eastern Europe.

The training content is also constantly evolving to meet changing needs, such as for trends like Industry 4.0 or Digitalization. With innovative projects like constructing 3D printers, Schaeffler is preparing its apprentices for new requirements.

In addition, Schaeffler offers young people in Germany various study opportunities such as a dual course of study, a two-in-one course of study with technical colleges and a master’s degree program.

Schaeffler ensures that key positions are refilled by way of globally standardized talent management. Employees with high potential are identified at an early stage and trained with appropriate measures both professionally and personally. The Schaeffler Academy is continually expanding its range of corresponding qualifications.

As part of the strategic education initiative “Qualification for Tomorrow,” the Schaeffler Academy has created new, target group-specific training opportunities for all employees in close cooperation with the strategic business fields. One focus is on imparting knowledge that is becoming increasingly important in connection with megatrends. Thus, Schaeffler offers comprehensive target group-specific programs including one on agile project management. An increasing amount of training opportunities such as explanatory videos or online training with a gamification approach are being offered. The goal is to enable learning at any time and from any location. One tool for this purpose that Schaeffler uses is new software that has already been implemented in Germany, France, China, Slovakia, the USA, and

Canada. It should also be available in Romania and the Asia-Pacific region by the end of the first quarter of 2019. Worldwide availability of the program is planned for 2020.

During the reporting period, the company achieved a coverage rate of 70.5%⁴ worldwide for this Learning Management System. In all, 95 web-based training courses were globally available to employees as of 12/31/2018 (previous year: 97).

4.2 Health and occupational safety

The management of the Schaeffler Group attaches the greatest importance to maintaining the health and physical safety of its employees. For this reason, the occupational health management program (OHM) and occupational safety at the Schaeffler Group are essential elements of the global HR strategy and also apply in countries where there are no government regulations.

The OHM and occupational safety are the responsibility of the head of environment, health, and safety, which is organizationally assigned to HR management division. The OHM is based on the framework guidelines of the Luxembourg Declaration on Workplace Health Promotion of the European Union. Some starting points are ergonomic workplace design as well as course offerings for employees that address physical fitness and a healthy lifestyle.

In 2018, the Schaeffler Group’s Executive Board decided to introduce a workplace register under “Agenda 4 plus One” with the “Factory for Tomorrow” initiative. With this database, ergonomic strains in the workplace are identified and made visible. The ongoing work to reduce improper physical stresses particularly supports the goal of enabling employees to live a healthy professional life until they retire. After a successful pilot phase in 2017, 20 locations in Germany had the new management tool at the end of 2018. The tool is scheduled to be available worldwide in 2021.

To implement legal requirements and further develop company-specific processes and standards for occupational safety, the Schaeffler Group uses its comprehensive EnEHS management system, which takes international occupational safety standards into account, among other things. The coverage rate⁴ according to the OHSAS 18001-standard, which was replaced by the ISO-Norm 45001 in 2018, is 88.7%. All Chinese production sites are already certified according to this new standard. The conversion of the other production sites will occur within a three-year transitional period.

According to the EnEHS management system, all executives and employees are required to comply with occupational safety regulations. Executives are advised by specialists in occupational

⁴) Relating to employees.

safety at the respective production sites when carrying out their responsibilities. The results of the discussions about residual risks, suggestions, and risk assessments are reviewed regularly with the responsible members of the Executive Board. If necessary, further measures are taken and the EnEHS management system is continually improved in so doing.

In the reporting period, the accident rate of 7.1^{5,6} was reduced by 12.7% to 6.2, thus achieving the annual reduction target of 10% for the second year in a row.

4.3 Diversity

Workforce diversity has fundamental value to the Schaeffler Group. It promotes lateral and divergent thinking – a prerequisite for the innovation and flexibility that Schaeffler needs to successfully deal with the major changes that the company and its customers will be facing. In addition, diversity is a key factor for a company with global business relationships in order to recognize and serve the needs of culturally diverse markets. In order to anchor the topic successively in the company, the diversity concept adopted by the Executive Board in the previous year was more strategically aligned. The main topics are gender, internationality, demography, and people with disabilities.

Diversity is actively promoted at the company: The Group Executive Board already signed the Charta der Vielfalt (diversity charter) in 2008. Diversity and equal opportunities were integrated into the Code of Conduct combined with the obligation to promote their implementation at the company. This position was reaffirmed by the Executive Board in 2018 with the entry of Schaeffler AG into the Charta der Vielfalt association.

With its diversity strategy, Schaeffler is also aiming to realize the global goal for the sustainable development of “gender equality” at the company. The proportion of women in the Schaeffler Group was 22.0% in 2018 (previous year: 21.7%) and the proportion of female managers⁷ was 13.2% (previous year: 12.4%).

As of June 30, 2017, target ratios for the proportion of women were set within Schaeffler AG. The target ratios are an 8% share of women at the first management level and a 12% share of women at the second management level below the Executive Board, which Schaeffler AG should reach by June 30, 2022.

The focus of the implementation of the Diversity Management in 2018 was on its integration into existing HR processes, such as employer branding, recruiting, and talent management.

Particular attention was paid to the focal topic of gender in the reporting period. Among other things, Schaeffler has begun to expand its standard mentoring program. The goal is to identify female employees with high potential and to focus on recruiting them for the mentoring program. The concrete development of the concept will take place in 2019. In addition, top female performers will be highlighted in succession planning to give them more visibility. The topic of gender is actively addressed in recruiting as well. The recruiting staff analyze the respective departmental composition and use the contract clarification to increase their discussion partners’ awareness on the topic of diversity. In addition, Schaeffler is promoting the development and expansion of its women’s network.

 Further information on diversity activities and other focus topics can be found in the Annual Report 2018 on page 40, at www.schaeffler-annual-report.com

4.4 Compensation and retirement benefits

Central components of the Schaeffler Group’s HR strategy are attractive compensation models and additional services, as well as needs-based retirement benefits. They make a significant contribution to employee satisfaction and the company’s profile as an attractive employer. Schaeffler sees the employee-initiated labor turnover rate⁸ of 4.8% as an indicator of the satisfaction of its employees.

Schaeffler bases its compensation on the market median and ensures that it complies with the legal requirements. In Germany, this means observing the General Equal Treatment Act (AGG), among others. In addition, the company fulfills its obligations to provide information in accordance with the Pay Transparency Act in Germany, which entered into force on January 1, 2018. Together with the Works Council, the Executive Board has taken all the necessary measures for this act.

Compensation at Schaeffler is based on the tasks of the respective individual employee and continues to include performance-related components. The Schaeffler Global Job Grading System introduced in 2016 enables Schaeffler to further develop career paths and succession planning processes. In addition, the job catalog project was initiated in 2018 to create a globally harmonized “job landscape” for all employee groups. The project continues to improve the basis for transparent compensation at Schaeffler.

⁵ Accident rate (AccR) measurement = occupational accidents from one day of absence per 1 million labor hours.

⁶ Employees incl. temporary employees, apprentices, and interns.

⁷ Managers are defined as employees in a supervisory function.

⁸ Related to the average number of employees from 01/01/2018 to 12/31/2018.

The variable compensation models were also changed for the harmonization. The compensation-related key figures were consistently adapted based on Schaeffler's value added and cash flow target values. Additionally, employees below the top management level can set individual quantitative and qualitative goals.

4.5 Work-life balance

Work-life balance plays an important role for Schaeffler as an attractive employer. Flexible work models and opportunities that promote work-life balance are prerequisites for satisfied employees. Furthermore, they serve the goal of sustainably anchoring the diversity program in the company by offering career opportunities to people with different lifestyles. The Schaeffler Group therefore offers its employees a variety of employee- and family-friendly solutions based on demand such as daycare centers, parent-child offices, and vacation programs for children. In its HR strategy, the Group also takes into account flexible working hours solutions such as part-time, partial retirement, and reverse shift models. The latter are offers for couples who work both shifts. The spouses can be assigned to opposing shifts, for example, to ensure alternating care of their children. In Germany, 6.3% of employees work part-time.

5. Social matters

For Schaeffler, entrepreneurial responsibility means being aware of the impact of its business activities on other parties and society and actively engaging them in a positive way. The company therefore attaches great importance to good relationships with its customers because an open exchange is the foundation for developing innovative and technologically excellent products. Customers and users must also be able to rely on the performance and durability of Schaeffler's components and products, which is why the company continues to develop its comprehensive, systematic quality management system. Schaeffler also assumes responsibility in its supplier relationships in order to improve the economic and working conditions of people and the environmental situation in producer countries.

5.1 Customer relationships

The Schaeffler Group aims to further deepen their understanding of customer needs and customer relationships. To this end, it uses a central Global Key Account Management system (GKAM) to shape its customer relationships worldwide according to standardized principles. GKAM works closely with the regional and divisional sales functions of the Automotive OEM (Original Equipment Manufacturer), Automotive Aftermarket, and Industry business divisions and combines the necessary expertise from each of the relevant divisions for every key customer. Every major customer has a contact person who takes care of all of his or her concerns according to the principle of "one face to the customer." All relevant players in the strategy process, the Executive Board, and regional division managers, as well as division and product line managers, also regularly discuss relevant market developments in collective "GKAM Strategy Alignments."

As a further management tool for shaping customer relationships and as part of the "Customer Excellence" initiative, Schaeffler relies on modern Customer Relationship Management (CRM) software. This will be updated to the newest version in all three divisions over the course of 2019, creating a cross-divisional system architecture.

As of January 1, 2018, the Schaeffler Group has split its business into the three divisions of Automotive OEM, Automotive Aftermarket, and Industry in order to be able to meet the requirements of various customer segments on an even higher personal level. The former Automotive Aftermarket business division was established as a third division and assigned to an independent Executive Board department. It is responsible for the Schaeffler Group's spare parts business and provides innovative OEM-quality repair solutions.

The company evaluates customer relationships using periodic customer surveys. In 2018, a new survey concept was introduced as part of the "Agenda 4 plus One" initiative "Customer Excellence," which includes all Schaeffler Group divisions and regions and provides important insights into key success factors in customer business.

Each year, the Schaeffler Group receives numerous customer satisfaction and product quality awards from its customers. The company sees this as an indicator of its positive reputation in global markets. In the reporting year, it received 65 awards, 7 more than in the previous year.

5.2 Responsibility in supplier relationships

Ensuring that supply chains are responsible for social and environmental issues such as working conditions, fair wages, freedom of association, occupational safety, and environmental protection is a part of many national laws and internationally recognized policies. For example, the UK Modern Slavery Act requires that companies document concepts and measures to prevent modern slave labor in their supply chain. As a global family business, the Schaeffler Group supports these efforts. In its Supplier Code of Conduct (SCoC) adopted by the Executive Board in 2017, the company has formulated minimum requirements for suppliers based on the principles of the United Nations Global Compact and the core labor standards of the International Labor Organization.

Since 2012, new suppliers of production materials have been asked to accept the Schaeffler Code of Conduct (CoC) – and the SCoC since 2017 – as part of their approval. In 2018, the company began to apply this approach to existing suppliers and obtain written acceptance of the Supplier Code. A newly designed supplier evaluation supplemented by a sustainability element has provided the necessary emphasis since 2018. Suppliers who have neither implemented a certified environmental or occupational safety management system nor accept the SCoC/CoC are rated down by one level by Purchasing in the supplier evaluation. This procedure worsens their chances in the selection process for new projects or procurement volumes so that orders become less likely. The supplier information refers to the direct (Tier 1) suppliers of the Schaeffler Group.

In 2018, 111 new suppliers in the area of production material were checked for Schaeffler's supplier portfolio by way of an initial assessment. Applicants previously had to accept the SCoC and thereby profess their social responsibility. On-site assessments were then carried out. An integral part of this assessment is production tours during which questions are asked not only about the original quality issues but also about production-related aspects of occupational safety and environmental protection.

If the company does not accept the SCoC or is not ready to cooperate to address critical issues directly by taking immediate action, the approval process is stopped. Applicants who fail to adequately meet the requirements of the questionnaire during on-site assessments will need to identify appropriate remedies after a root cause analysis.

The Schaeffler Group also works closely with its production material suppliers regarding the materials and substances used (material compliance). The Material Compliance department supports the Purchasing division with continuous monitoring of the requirements that are relevant for Schaeffler and selecting criteria to be taken into account when choosing suppliers. Among other things, the department deals with responsibly procuring raw materials such as tin, tungsten, tantalum, or gold, whose extraction in some countries contributes to financing armed conflicts and human rights violations. Schaeffler uses Reasonable Country of Origin Inquiries (RCOI) to ascertain from which regions sub-tier suppliers source the components with critical materials and, where appropriate, initiate targeted supply chain actions. From 2013 to 2018, the response rate⁹ of the suppliers surveyed increased from 57.0%¹⁰ to 93.0%¹¹ (2017: 91.2%¹⁰). All (100.0%¹¹) of the smelting plants reported in Schaeffler's pre-supply chain that are located in affected countries under the RCOI are certified by the Responsible Minerals Initiative.¹²

Customers are able to request and receive Schaeffler's Conflict Minerals Report. With further improvements to the material compliance process that Schaeffler is continually working on, the company will meet the OECD guidelines for the responsible use of minerals from conflict and high-risk areas by 2021, and thus also the EU requirements in a timely manner.

5.3 Quality management

The Schaeffler Group stands for the highest quality, and that means consistently ensuring accuracy in all applications, regardless of the complexity of the respective overall system. In line with this approach derived from the "Mobility for Tomorrow" strategy, Schaeffler has put together a set of measures with three main points called "Quality for Tomorrow" within the "Agenda 4 plus One" initiative. These points are:

- Ongoing improvement of performance in the core business
- Continual improvement of the quality management system and process
- Preventive measures in product development

The initiative will be successfully completed by the end of 2020. The findings from the pilot projects launched in 2018 will be rolled out throughout the Group.

⁹ Response rate of suppliers surveyed on the use of conflict minerals as defined under the Responsible Minerals Initiative.

¹⁰ Survey period from March to February of the following year.

¹¹ Interim status as of December 2018.

¹² Risk areas as defined in the RCOI.

All Schaeffler Group production sites¹³ have certificates in accordance with globally recognized quality standards and regulations. In 2018, Schaeffler successfully completed the implementation and worldwide adoption of the requirements following the new, certification-related standards at all affected Schaeffler plants:

- IATF 16949:2016 (Quality management system – automotive industry standard)
- ISO/TS 22163 (Quality management system – particular requirements for application of ISO 9001:2015 in the rail sector)
- SAE AS 9100D:2016-09-20 (Quality Management Systems – Requirements for Aviation, Space, and Defense Organizations)

The conformity of the products and processes with these standards is checked and confirmed according to schedule at the affected locations through internal and external audits.

To improve product safety, the Schaeffler Group conducts structured blended learning courses for nominated product safety officers at the company. To ensure high levels of process reliability in terms of product safety and compliance, Schaeffler conducts industry-related product safety days during which automotive industry professionals and executives discuss safety issues with NGOs, authorities, and government organizations.

Schaeffler reached its quality goal of reducing the number of complaints compared to the previous year. In 2018, two product liability cases¹⁴ were reported, the result of which is still pending.

Quality must also be protected from external threats. Trade in counterfeit products, for example, not only damages the manufacturer, but their use can also result in material damage to vehicles and industrial equipment or personal injury. The Schaeffler Group fights product piracy with a holistic approach. Within the company, the Brand Protection Team (BPT) has been coordinating preventive measures against trademark infringement and legal prosecution of confirmed cases since 2004. In addition, the company provides its customers with solutions for an initial authentication. Using the cloud-based OriginCheck app or PrecisionDesk app, end-users, resellers, and government agencies can quickly and easily check Schaeffler's INA and FAG brand products for suspected counterfeiting. For its OriginCheck app, Schaeffler received an award in the "Excellent Places in the Land of Ideas 2018" competition, a location initiative from the German Federal Government and the German economy, in June 2018.

¹³ According to the scope of the Schaeffler Group's management manual and valid certification rules.

¹⁴ Product liability cases (in accordance with the product liability law) are claims by end users against Schaeffler for compensation for damage occurred to the end user as the result of a safety-related product defect.

6. Human rights

As a global family business with a strong foundation in its values, respect for human rights is an indispensable part of corporate responsibility for the Schaeffler Group.

The company rejects any form of human rights violations such as child and forced labor or discrimination based on race, skin color, or gender.

This claim applies to all approximately 170 of our own locations as well as to all business partners and does not end with compliance with the respective local legal provisions, but goes beyond that. The company management commits to the “UN Guiding Principles for Business and Human Rights,” the ten principles of the UN Global Compact, the National Action Plan “Economy and Human Rights” from the German Federal Government, the Dodd-Frank Act, and the Modern Slavery Act. The corresponding statements are published on the Schaeffler Group website.

Accordingly, the requirement to respect and uphold human rights is a part of the current Group-wide Code of Conduct and the Schaeffler Group’s Supplier Code. They are therefore aimed at every employee at the company and selected business partners. The Chief Human Resource Officer is responsible for human rights issues. If necessary, it will also report on human rights issues as part of Schaeffler AG’s internal risk reporting. Any violations can be reported through the Schaeffler Group’s global compliance whistleblower system. No violations of human rights¹⁵ were reported through the system in the 2018 reporting year.

The employees and managers at the Schaeffler Group are trained on the Code of Conduct, which demands respect for human rights. Other risk management elements related to human rights violations are under development and will be coordinated by the sustainability department.

Additional information on the respect for human rights is available in various reports, such as the Sustainability Report for Schaeffler Group stakeholders.

¹⁵ Violations in contravention of the prohibition on forced labor and child labor or constitute cases of discrimination by origin, skin color, or gender.

7. Compliance

Integrity is fundamentally important to entrepreneurial activity at the Schaeffler Group. For this reason, Schaeffler adheres to high standards of compliance, especially in preventing corruption. Schaeffler also has high expectations for data protection, information, and IT security.

7.1 Combating corruption and bribery

The Compliance Management System (CMS) is a part of the Schaeffler Group's overall corporate governance structure. Management and all employees are required by the Code of Conduct to comply with all applicable local, national, and international laws and regulations wherever the Schaeffler Group conducts business. The entire worldwide compliance organization of the Schaeffler Group provides support in doing this. The Schaeffler Group's CMS is based on national and international standards. The concept of the CMS was initially audited successfully by an independent auditing firm in accordance with the IDW PS 980 auditing standard. In 2018, a second independent auditing firm confirmed the adequacy and implementation of the Schaeffler Group's Compliance Management System.

The purpose of the CMS is to prevent and quickly detect legal violations in the areas of corruption, money laundering, competition, and antitrust law as well as economic crimes. It also supports active risk control and has a protective function for both the company and its employees. The Group Chief Compliance Officer manages the compliance organization. He reports directly to the Chief Executive Officer. In addition, he maintains a reporting line to the Chairman of the Supervisory Board and regularly reports to the Chairman of the Audit Committee.

The Schaeffler Group Code of Conduct and corporate policies on competition and antitrust compliance, anticorruption, the protection of confidential information, and against conflicts of interest include requirements to prevent compliance violations. A compliance help desk still serves this purpose by providing advice on specific issues. In addition, Schaeffler has taken measures to detect any compliance violations. These include audits and inspections as well as a global whistleblower system that also allows anonymous reporting of alleged violations. Employees and managers are taught about the relevant requirements in web-based and in-person trainings and sensitized to the risks. The main training points in 2018 were the Code of Conduct, sales compliance, information security, cybercrime prevention, and CEO fraud. The training courses are developed continually and adapted to the areas of activity of the employees. A total of 9,578 participants¹⁶ took part in web-based training on compliance during the reporting period.

 Further information on the individual elements of the governance structure and the Compliance Management System of the Schaeffler Group can be found in the Annual Report 2018, pp. 101 et seq., at www.schaeffler-annual-report.com

¹⁶ Employees incl. temporary employees, apprentices, interns, and external employees.

7.2 Material compliance

Monitoring and ensuring the material compliance of Schaeffler products with laws and standards that the company is subject to at the local and national level is the goal of the Schaeffler Group's material compliance activities. These include all material requirements from legislation, public standards, and customer requirements with regard to chemical substances, preparations, and materials in manufacturing processes and products, as well as with regard to chemical substances, preparations, and packaging when transporting the products. Material compliance implementation is based on an audited management process that is included in the Material Compliance Management guideline. The progress is determined and monitored continuously.

7.3 Data protection, information, and IT security

Protecting personal rights is a high priority for Schaeffler and is a part of the Group Code of Conduct. It handles the processing of data belonging to business partners and employees with the greatest care and sensitivity. The measures correspond to the respective data protection requirements. In 2018, the focus was on implementing the EU General Data Protection Regulation (EU GDPR).

The data protection officer at Schaeffler AG plays a central managing role. He is assigned to the Compliance & Corporate Security division and thus to the Chief Executive Officer's division.

Schaeffler Group information security measures are based on the ISO/IEC 27001 standard and take national and industry-specific regulations into account. They are designed to protect Schaeffler's intellectual property and the business secrets of business partners from theft, loss, unauthorized disclosure, unlawful access, or misuse.

The preventive measures to protect against cybercrime in particular will be successively expanded as part of the "Information & Cybersecurity" program, among others, and accompanied by training and information offerings.

Furthermore, the Schaeffler Group has introduced an "IT Security by Design" process which is based on national and international standards. In this process, IT security is considered from the start in terms of systems and applications development, and corresponding protection measures are integrated into the process depending on the security needs.

8. Overview of non-financial key indicators

All quantitative information is summarized below in an overview, which is used among others by Schaeffler for measuring results of non-financial aspects and matters according to Section 289c HGB. The reference period includes the business years 2017 and 2018, respectively.

⊞ Further information on the principles of data collection and presentation can be found in chapter 1.2

Key indicator	Unit	2018	2017
Environmental concerns			
Coverage rate for ISO 50001 certification ¹⁾	%	85.8	85.2
Coverage rate for ISO 14001 certification ¹⁾	%	88.7	88.3
Coverage rate for EMAS certification ¹⁾	%	88.2	87.9
Total energy consumption ²⁾	GWh	3,367	3,233
Greenhouse gas emissions, ³⁾ total ⁴⁾	t CO ₂	1,461,790	1,409,388
Greenhouse gas emissions ³⁾ (Scope 1)	t CO ₂	193,708	175,635
Greenhouse gas emissions ³⁾ (Scope 2) market based ⁵⁾	t CO ₂	851,916	N/A
Greenhouse gas emissions ³⁾ (Scope 2) location based	t CO ₂	1,268,082	1,233,752
Water consumption ⁶⁾	m ³	6,089,564	5,964,821
Amount of waste, Germany	t	312,383	302,969
Recycling rate, Germany ⁷⁾	%	91.1	94.9
Revenue by business division E-mobility ⁸⁾	EUR millions	486	416
Patent registration ⁹⁾	Number	> 2,400	2,383
R&D centers	Number	20	18
R&D employees	Number	7,991	7,790
Employee matters			
Coverage rate OHSAS 18001/ISO 45001 ¹⁾	%	88.7	88.3
Accident frequency/AccR ^{10), 11)}		6.2	7.1
Employees	Number	92,478	90,151
Proportion of female employees	%	22.0	21.7
Average age	Years	39.9	39.7
Average tenure	Years	11.2	11.0
Distribution of employees by region			
Europe ¹²⁾	%	68.3	68.3
Americas	%	14.2	14.5
Greater China	%	14.0	13.9
Asia-Pacific	%	3.5	3.3
Proportion of female managers ¹³⁾	%	13.2	12.4
Web-based training offers ¹⁴⁾	Number	95	97
Coverage rate of Learning Management System ¹⁾	%	70.5	51.9
Trainees in apprenticeship	Number	3,275	3,185
Part-time ratio, Germany	%	6.3	6.5
Labor turnover rate ¹⁵⁾	%	4.8	3.9
Social matters			
Awards for customer satisfaction/product quality	Number	65	58
Coverage rate of quality management systems ¹⁶⁾	%	100.0	100.0
Suppliers reviewed in initial assessments ¹⁷⁾	Number	111	157
Response rate of surveyed suppliers on the use of conflict minerals ^{18), 19)}	%	93.0	91.2
Coverage rate of certified smelting plants in the supply chain ^{19), 20)}	%	100.0	100.0
Human rights			
Confirmed cases of human rights violations ²¹⁾	Number	0	0
Combating corruption and bribery			
Number of web-based compliance training participants in the reporting year ²²⁾	Number	9,578	8,160

¹⁾ Relating to employees.

²⁾ Energy sources included: electricity, natural gas, district heating, propane, fuel oil, without the amount of electricity produced by gas-powered CHP.

³⁾ The calculation of greenhouse gas emissions is based on the emission factors of the VDA and the Probas database of the Federal Environmental Agency. Emission sources covered in Scope 1 (natural gas, heating oil, propane) and Scope 2 (electricity, district heating).

⁴⁾ Total of Scope 1 and Scope 2 (location based).

⁵⁾ Supplier-specific emission factors were used to determine Scope 2 market based.

⁶⁾ Water consumption includes municipal and internal company water. Prior year's value corrected based on subsequently reported data.

⁷⁾ Recycling and recovery/total waste volume, without metals and scrap.

⁸⁾ Prior year information presented based on 2018 segment structure.

⁹⁾ First registration filed with the German Patent and Trademark Office. The 2018 number is based on the internal Schaeffler count. The German Patent and Trademark Office will publish its data after the Schaeffler GNFK is printed.

¹⁰⁾ Accident rate (AccR) measurement = occupational accidents from one day of absence per 1 million labor hours.

¹¹⁾ Employees incl. temporary employees, apprentices, and interns.

¹²⁾ Incl. employees of the corporate head office.

¹³⁾ Managers are defined as employees in a supervisory function.

¹⁴⁾ Reporting date 12/31/2018.

¹⁵⁾ Initiated by employee; related to the average number of employees from 01/01/2018 to 12/31/2018.

¹⁶⁾ According to the scope of the Schaeffler Group's management manual and valid certification rules.

¹⁷⁾ Requested in 2018.

¹⁸⁾ Defined according to the Responsible Minerals Initiative.

¹⁹⁾ Survey period from March to February of the following year. The 2018 value is the interim status as of December 2018.

²⁰⁾ Risk areas as defined in the RCOI.

²¹⁾ Violations in contravention of the prohibition on forced labor, child labor, and cases of discrimination by origin, skin color, or gender.

²²⁾ Employees incl. temporary employees, apprentices, interns, and external employees.

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